

l/and and Manufactures Bank, fell under the prohibition of the Joint Stock Companies' Act. This act was passed in England after the bursting of the South Sea Bubble in 1720 and forbade the formation of banking companies without a special charter, but it was not until 1740 that it was declared by Parliament to extend to the colonies.

The history of banks of issue in the United States can hardly be said to have begun, however, until the foundation of the Bank of Pennsylvania. The bank originated in the plan of a number of citizens of Philadelphia to supply the army with rations, and their first bills, issued in 1780, were nothing more than interest-bearing notes payable at a future time. The advances in Continental money made by the shareholders were secured by bills of exchange for £150,000 drawn on the envoys in Europe, but not intended to be negotiated.¹ Approval was given by Congress May 26, 1781, to the plan of Robert Morris for the Bank of North America, with a capital of \$400,000, to be increased if desired. Morris arranged with the Bank of Pennsylvania to transfer the foreign bills it was holding to the new bank and paid in cash its claims against the Federation. The charter of the Bank of North America was not actually granted until December 31, 1781, and business was begun January 7, 1782. There was so much doubt of the power of Congress to charter a bank that a charter was obtained April 1, 1782, from the State of Pennsylvania, under which the bank continued to operate until absorbed into the national banking system in 1863. The bank did much to restore order to the chaos of Federation finances and loaned Morris, as Superintendent of Finance, \$1,249,975, of which \$996,581 was repaid in cash and the remainder by surrendering the bank stock owned by the Federation. The government had originally paid for its stock in silver brought from France, but this silver was infinitely more productive by the skilful management of the bank than it could ever have been if covered into the public treasury. Livingston wrote to Dana December 17, 1782 :

¹ **Stunner, *Finances of the American Revolution*, II., 22.**